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BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

DEPT. OF TRANSPORTATION
DOCKETS
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Joint Application of

DELTA AIR LINES, INC.

SOCIÉTÉ AIR FRANCE

ALITALIA-LINEE AEREE ITALIANE-S.P.A.

CZECH AIRLINES

under 49 U.S.C. §§41308 and 41309 for approval of and
antitrust immunity for agreement

Docket OST-01-10429-28

ANSWER OF UNITED AIR LINES, INC.

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DATED: October 3, 2001

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
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DATED: October 3, 2001

ANSWER OF UNITED AIR LINES, INC.

United Air Lines, Inc. ("United") respectfully submits the following response to the August 10, 2001 application of Delta Air Lines, Inc. ("Delta"), Société Air France ("Air France"), Alitalia-Linee Aeree Italiane-S.P.A. ("Alitalia"), and Czech Airlines ("CSA") under 49 U.S.C. §§41308-09 for approval of and antitrust immunity for alliance agreements between Delta and Air France, Delta and Alitalia, and Delta and CSA and for a coordinating agreement among Delta, Air France, Alitalia, and CSA:

1. United has long been an advocate of air carrier alliances which are now widely recognized as offering substantial benefits to consumers. These benefits include more convenient network operations between and among points served on each alliance partner's network. Moreover, studies show that alliances have enabled the partners to

price their interline services more competitively, offering an important benefit of lower fares for consumers.

United has also been in the forefront of carriers supporting open skies agreements. Indeed, United's support for a deregulated aviation market dates back to 1978 when United was the only scheduled passenger carrier that supported the legislation which became the Airline Deregulation Act. Open skies bilateral agreements and deregulation legislation have clearly benefited consumers. In the international context, the enhancement of competition under open skies agreements has made it possible for the Department of Transportation ("Department") to allow U.S. and foreign carrier alliance partners to more fully integrate their services by granting immunization from the antitrust laws. So long as such immunized alliances are free to compete with each other in a deregulated international marketplace, consumers throughout that marketplace will benefit. On several occasions, The Department has recognized the benefits of the immunized alliances and their positive role in developing competing alliance networks.

Because of the recognized benefits that flow from open skies and integrated alliances, United fully supports the efforts of the U.S. to conclude an open skies agreement with France. Conclusion of an open skies agreement with France would represent a major achievement for the Department as it would remove the remaining governmental barriers to entry into U.S.-France and beyond markets, including limitations on capacity, fifth-freedom rights, and code sharing -- limitations that hamper the development of alliance network competition in local U.S.-France city-pair markets. The removal of these restrictions would make possible increased network-to-network competition in U.S.-France and beyond markets, benefiting consumers and carriers alike.

2. The proposed alliance will complement the multi-carrier alliance networks that are already competing over the Atlantic. Currently, five major transatlantic alliances hold or seek antitrust immunity from the Department:

- Delta/Air France/Alitalia/CSA
- American/British Airways
- United/bmi/Austrian Group/Lufthansa/SAS
- Northwest/KLM
- American/Swissair/Sabena

The Delta/Air France/Alitalia/CSA alliance would be one of the three largest alliances in the transatlantic market and by at least some measures would be equivalent in size to the United/bmi/Lufthansa/SAS/Austrian Group alliance.^{1/} Open skies between the U.S. and France and the granting of the current application for antitrust immunity, subject to the appropriate conditions, will set the stage for enhanced inter-alliance network competition in the U.S.-EU and U.S.-France aviation markets. That bilateral agreement between the U.S. and French governments and immunity for Delta's alliance should, by the same token, set the stage for a similar bilateral agreement between the U.S. and the U.K., as well as antitrust immunity for alliances involving U.S. and U.K. flag carriers, such as the proposed United/bmi/ Lufthansa/SAS/Austrian Group alliance.

3. Finally, it should be noted that the proposed alliance has several structural advantages over other alliance networks. Paris Charles de Gaulle ("CDG") is the primary hub of Air France, the sixth largest transatlantic carrier. Among European hubs, Paris

^{1/} Based on transatlantic departures, Delta's and United's alliances are only 3/10 of a percentage point apart.

CDG (as well as Brussels and Amsterdam) enjoys the second best geographic location after the London airports for transatlantic traffic because of its location on the western margins of Europe. Additionally, take off and landing slots are easier to obtain at CDG than at London's Heathrow Airport, which provides a greater opportunity for growth for an alliance involving Air France, which, as noted previously, has its primary hub at CDG. Air France and Delta are both located in the modern, state-of-the-art Terminal 2 and enjoy a competitive advantage over many other airlines, including United, that occupy outdated facilities in Terminal 1, away from the connecting air/rail intermodal complex.^{2/}

Given the geographical and institutional advantages that would be conferred on the Delta/Air France/Alitalia/CSA alliance as a result of their hub at CDG, it is critically important that other U.S. carrier alliances be permitted to compete via London's airports and particularly Heathrow. Such competition, to be effective, must involve the same sort of fully integrated services via London Heathrow as the Delta/Air France/ Alitalia/CSA alliance will be able to mount via CDG.

In these circumstances, the Department should consider its approval of the Delta/Air France/Alitalia/CSA request for an immunized alliance in the same time frame as that applied to the alliance proposed by United/bmi/Lufthansa/SAS/Austrian Group. The latter would offer services via Heathrow that would be competitive with those offered by Delta's alliance via CDG. Assuming contemporaneous conclusion of open skies agreements between the U.S. and both France and the U.K., which now appears likely, the Department should endeavor to approve the applications of both alliances for antitrust immunity contemporaneously. Moreover, to guarantee equality of treatment

^{2/} French airport authorities plan to remodel Terminal 1.

among alliances, the Department should apply the same rigorous antitrust analysis to the Delta/Air France/Alitalia/CSA alliance immunity application that it has applied to other alliances that have secured antitrust immunity and impose similar conditions, including, but not limited to, carve-outs on the overlapping nonstop hub-to-hub routes.

4. In conclusion, United supports the approval of and grant of antitrust immunity to the proposed alliance of Delta/Air France/Alitalia/CSA provided that an open skies agreement between the U.S. and France is concluded, appropriate conditions are imposed, and the proposed United/bmi/Austrian Group/Lufthansa/SAS application for antitrust immunity is approved contemporaneously.

Respectfully submitted,



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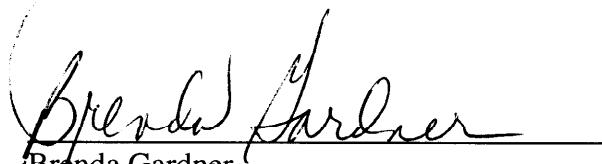
Counsel for
UNITED AIR LINES, INC.

DATED: October 3, 2001

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CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Answer of United Air Lines, Inc. on all persons named on the attached Service List by causing a copy to be sent via first-class mail, postage prepaid.


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